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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

MAR - 3 2003

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

T3112

OMB APPROVAL	
OMB Number:	3235-0123
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SEC FILE NUMBER
8- 53309

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Flextrade LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

111 Great Neck Road

(No. and Street)

Great Neck

(City)

NY

(State)

11021

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Vijay Kedia516/627-8993

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Anchin, Block & Anchin LLP

(Name — if individual, state last, first, middle name)

1375 Broadway

(Address)

NY

(City)

NY

(State)

10018

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 21 2003

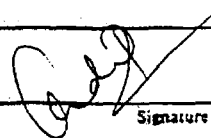
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Vijay Kedia, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Flextrade LLC, as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE


Signature

President and CEO
Title


Notary Public

SHEILA M. SCHWARTZ
Notary Public, State of New York
No. 01SO6911909
Qualified in Nassau County
Commission Expires August 17, 2006

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of ~~xxxxxx~~ Operations.
- ☒ (d) Statement of ~~xxxxxx~~ Cash Flows.
- ☒ (e) Statement of Changes in ~~xxxxxx~~ Member's Equity.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Established 1923

Anchin, Block & Anchin LLP
Accountants and Consultants

1375 Broadway
New York, New York 10018
(212) 840-3456
FAX (212) 840-7066

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF FLEXTRADE LLC:

We have audited the accompanying statement of financial condition of Flextrade LLC as of December 31, 2002 and the related statements of operations, changes in member's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flextrade LLC at December 31, 2002 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Anchin, Block & Anchin LLP

New York, New York
February 18, 2003

FLEXTRADE LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS:

Cash and cash equivalents	\$ 4,190,597
Accounts receivable	<u>2,901,961</u>

TOTAL ASSETS	<u>\$ 7,092,558</u>
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LIABILITIES:

Sales tax payable and accrued expenses	48,153
Due to Parent	12,000
Deferred revenues	18,333
Customer deposits	<u>61,500</u>

TOTAL LIABILITIES	139,986
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MEMBER'S EQUITY	<u>6,952,572</u>
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TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 7,092,558</u>
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FLEXTRADE LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

REVENUE		\$ 6,805,187
OPERATING EXPENSES:		
Management fee	\$ 12,000	
Other	<u>562</u>	
Total Operating Expenses		<u>12,562</u>
OPERATING INCOME		6,792,625
INVESTMENT INCOME		<u>11,284</u>
NET INCOME		<u>6,803,909</u>

See the accompanying Notes to the Financial Statements.

FLEXTRADE LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

MEMBER'S EQUITY:

Balance, January 1, 2002	\$ 148,663
Net income	<u>6,803,909</u>
BALANCE, DECEMBER 31, 2002	<u><u>\$ 6,952,572</u></u>

See the accompanying Notes to the Financial Statements.

FLEXTRADE LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income		\$ 6,803,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in:		
Accounts receivable	\$ (2,901,961)	
Sales tax payable and accrued expenses	45,653	
Due to affiliates	12,000	
Deferred revenues	18,333	
Customer deposits	<u>61,500</u>	
Total adjustments		<u>(2,764,475)</u>
Net Cash Provided by Operating Activities		4,039,434

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>151,163</u>
End of year	<u><u>\$ 4,190,597</u></u>

See the accompanying Notes to the Financial Statements.

FLEXTRADE LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Flextrade LLC (the "Company") was organized in New York on December 18, 2000, as a limited liability company. The Company is wholly owned by Flextrade Systems Inc. ("Parent"). The operating agreement provides for the Company to continue until December 31, 2040 unless dissolved sooner.

Principal Business Activity:

The Company licenses computer software primarily to brokers-dealers in securities located throughout the United States. The Software's function is to determine and initiate orders to buy and sell securities. The software routes an investor's order to the broker-dealer, for the purpose of executing and settling transactions, and all other elements of broker-dealer services. The Company has the rights to license such software through an agreement with the Parent who created the software and services the customers. The Company is registered with the National Association of Securities Dealers, Inc.

Financial Statement Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

Cash equivalents consists of balances in money market funds.

Revenue Recognition:

The Company's revenue from licensing agreements is based on the number of shares traded through the use of the licensed software such revenue is recognized as earned.

FLEXTRADE LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Accounts Receivable and Allowance for Doubtful Accounts:

The Company's trade accounts receivable are recorded at amounts billed to customers and presented on the balance sheet net of the allowance for doubtful accounts, if required. The allowance is determined by a variety of factors, including the age of the receivables, current economic conditions, historical losses and other information management obtains regarding the financial condition of customers. The policy for determining the past due status of receivables is based on how recently payments have been received. Receivables are charged off when they are deemed uncollectible, which may arise when customers file for bankruptcy or are otherwise deemed unable to repay the amounts owed to the Company.

Income Taxes:

No provision is required for federal and state taxes on the income of the Company. Under the Internal Revenue Code and similar state regulations the Company is treated as a partnership; accordingly, the income of the Company is taxed to the member.

NOTE 2 - CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS:

The Company is not required to maintain a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission under Section K(2)ii of the Rule.

NOTE 3 - NET CAPITAL REQUIREMENTS:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2002, the Company had net capital of \$4,716,724 which was \$4,707,392 in excess of its required minimum net capital of \$9,332. The Company's ratio of aggregate indebtedness to net capital was .03 to 1.

FLEXTRADE LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RELATED PARTY TRANSACTIONS:

The Company has an agreement with its Parent which provides that the Parent will perform all duties for the Company for a monthly fee of \$1,000. The agreement terminates upon the mutual consent of the parties or the termination of the existence of either party.

Although the parent has not charged the company for software licensing rights in 2002, the parent and the company are negotiating an agreement which will provide for charges in subsequent periods.

NOTE 5 - CREDIT RISK CONCENTRATION:

The Company maintains accounts in a bank located in New York State. The excess of deposit balances reported by the bank over amounts that would have been covered by federal insurance was approximately \$3,720,000 at December 31, 2002.

NOTE 6 - MAJOR CUSTOMERS:

For the year ended December 31, 2002 two broker-dealers accounted for 14% and 13% of total sales. Certain larger customers of the broker-dealers which license the Company's products may influence the selection of the software to be used.



Established 1923

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Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

ON

SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5
OF THE SECURITIES AND EXCHANGE COMMISSION

**TO THE MEMBER OF
FLEXTRADE, LLC:**

We have audited the accompanying financial statements of Flextrade LLC as of December 31, 2002 and have issued our report thereon dated February 18, 2003. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anchin, Block & Anchin LLP

New York, New York
February 18, 2003

FLEXTRADE LLC

**COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM NET CAPITAL
RULE 15c3-1 AND RECONCILIATION OF THE COMPUTATION OF NET CAPITAL
PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1 INCLUDED IN THE
COMPANY'S CORRESPONDING UNAUDITED FORM X-17A-5 PART IIA FILING
WITH COMPUTATION INCLUDED IN THE REPORT PURSUANT TO RULE 17a-5(d)**

AS OF DECEMBER 31, 2002

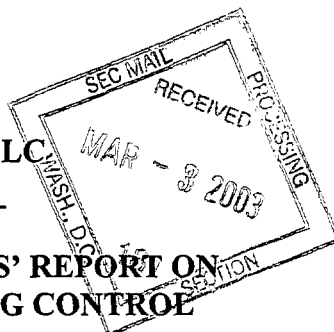
TOTAL MEMBER'S EQUITY QUALIFIED FOR NET CAPITAL	\$ 6,952,572
NONALLOWABLE ASSETS	<u>2,163,447</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	4,789,125
HAIRCUTS ON SECURITIES	<u>72,401</u>
NET CAPITAL	4,716,724
MINIMUM NET CAPITAL REQUIREMENT OF 6 2/3% OF AGGREGATE INDEBTEDNESS OF \$139,986 OR \$5,000 WHICHEVER IS GREATER	<u>9,332</u>
EXCESS NET CAPITAL	<u><u>\$ 4,707,392</u></u>
RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART II OF FORM X-17A-5 AS OF DECEMBER 31, 2001)	
NET CAPITAL, AS REPORTED IN COMPANY'S PART II UNAUDITED FOCUS REPORT	\$ 3,708,581
DIFFERENCE DUE TO AUDIT ADJUSTMENTS	<u>(1,008,143)</u>
NET CAPITAL, PER REPORT PURSUANT TO RULE 17a-5(d)	<u><u>\$ 4,716,724</u></u>
TOTAL AGGREGATE INDEBTEDNESS	<u><u>\$ 139,986</u></u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u><u>.03 to 1</u></u>

See Independent Auditors' Report on Supplementary Information.

FLEXTRADE LLC

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL**

FOR THE YEAR ENDED DECEMBER 31, 2002





Anchin, Block & Anchin LLP
Accountants and Consultants

1375 Broadway
New York, New York 10018
(212) 840-3456
FAX (212) 840-7066

INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL BY
SEC RULE 17a-5

**TO THE MEMBER OF
FLEXTRADE LLC:**

In planning and performing our audit of the financial statements and supplemental schedule of Flextrade LLC ("the "Company") for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Flextrade LLC to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of members, management, the SEC, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

Anchin, Block & Anchin LLP

New York, New York
February, 18, 2003